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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF POSSIBLE  
MODIFICATIONS TO THE  
COMMISSION'S ENERGY RULES

) **DOCKET NO. RU-00000A-18-0284**  
)  
) **COMMENTS OF WESTERN RESOURCE**  
) **ADVOCATES, WESTERN GRID GROUP,**  
) **VOTE SOLAR, AND SIERRA CLUB**

Western Resource Advocates (WRA), Western Grid Group (WGG), Vote Solar, and the Sierra Club, together the "Joint Stakeholders," hereby submit their comments on Staff's proposed draft of the Commission's Energy Rules.<sup>1</sup> While the Joint Stakeholders appreciate Staff's efforts to revise the energy rules, the proposal from Staff would move Arizona energy policy backward, not forward, by removing requirements for renewable energy and energy efficiency, as well as combining the Renewable Energy Standard and Tariff (REST), Electric Energy Efficiency Standard (EEES), and Resource Planning and Procurement (RPP) rules. We agree, however, that updates and revisions to these rules are needed, especially to continue to capture customer benefits. As an alternative to the Staff proposal, the Joint Stakeholders intend to file a red-lined proposal to revise the current REST, EEES, and RPP rules in the next several weeks.

**1. Requirements for renewable energy, not goals, are necessary for driving cost-effective clean energy investment in Arizona.**

The REST provides important policy direction for utilities. By expanding and modernizing the REST, the Commission will ensure Arizona customers see the cost and environmental benefits of clean energy resources. Renewable energy standards, and zero-carbon electricity standards, provide key benefits, such as:

- Increasing investment in the lowest-cost clean energy resources available;
- Encouraging utilities to learn how to operate and integrate higher levels of renewables;
- Driving utilities, businesses, and entrepreneurs to develop new technologies, business models, and mechanisms to integrate higher levels of renewable energy;
- Ensuring Arizonans benefit from the economic, public health, and environmental benefits of renewables;
- Driving innovation in the private sector to develop new low- and zero-carbon technologies, which will be essential for achieving a low- or zero-carbon electricity sector by mid-century;

<sup>1</sup> <https://docket.images.azcc.gov/0000197523.pdf>

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- Making sure utilities do not make short-sighted investments in fossil resources that may appear cheaper in the short term, but are at risk of becoming stranded assets over the long term,<sup>2</sup> as the costs of clean energy resources continue declining and customer demand continues to rise; and
- Diversifying the electric generation mix, in order to manage the risk of volatile fuel prices and impacts on customers.

Since 2006, the REST has resulted in expansive benefits for Arizonans. We estimate that the renewable energy acquired by the two largest affected utilities, APS and TEP, has saved over 13 billion gallons of water and avoided over 26 million short tons of CO<sub>2</sub> emissions.<sup>3</sup> As detailed in WRA's and WGG's comments filed March 25, 2019,<sup>4</sup> the costs of renewable resources are declining and requiring more can save utility customers money.<sup>5</sup>

Increasing the REST can drive additional, valuable consumer benefits, water savings, public health, and environmental benefits. Maintaining a renewable energy requirement in the REST rules is essential for ensuring that Arizona utilities continue to make the transition to a more modern, clean energy system.

## **2. Requirements for energy efficiency, not goals, are necessary to ensure the electric system is affordable for vulnerable populations and all customers.**

An expanded efficiency requirement is needed because avoiding having to build the next power plant or buying the next kilowatt hour is the least expensive option available to utilities. Energy efficiency programs provide all customer classes opportunities to manage and reduce energy use and are cost effective. From 2010-2017, every dollar of customer money invested in energy efficiency programs provided just under four dollars in ratepayer benefits.<sup>6</sup> Further, as the EEES has resulted in over \$1 billion in net economic benefits since 2010, the Commission should continue a standard to reduce energy growth by 1.5% per year, similar to the existing standard,<sup>7</sup> rather than leaving it to utilities to decide. Because increased energy efficiency decreases the amount of kWhs sold by utilities, utilities will not voluntarily increase energy efficiency programs that help customers, but reduce the utilities' revenues.

<sup>2</sup> For example, a number of natural gas plants in California have been shuttered recently, including plants that have been built as recently as 2003. See <https://www.elp.com/articles/2018/03/nrg-to-close-several-gas-power-plants-in-california.html>.

<sup>3</sup> Calculations assume renewables displace energy generated at a mix of coal and natural gas plants.

<sup>4</sup> <https://docket.images.azcc.gov/0000196912.pdf>

<sup>5</sup> In our modeling in the 2017 Integrated Resource Plan proceeding, WRA, WGG, and 14 other organizations submitted analyses showing that a portfolio of clean energy resources, including renewable energy, demand side management, and battery storage was cheaper than APS's and TEP's proposed resource portfolios, which relied heavily on natural gas. The clean resource portfolios reduced APS's and TEP's revenue requirements by \$275 million and \$268 million, respectively, in addition to reducing the portfolios' water use and air emissions. In the portfolios modeled, approximately 40% of energy demands in 2030 are met with renewable resources (including DG). Importantly, the analysis indicated that utilities could reliably meet peak demands, ramping requirements, and reserve margins.

<sup>6</sup> 2010-2017 Annual Demand Side Management reports of Tucson Electric Power and Arizona Public Service Company filed with the Arizona Corporation Commission.

<sup>7</sup> 2010-2018 Annual Demand Side Management reports of Tucson Electric Power, Arizona Public Service Company, and UNS Electric filed with the Arizona Corporation Commission.

**3. The REST and EEES rules are the appropriate venues to set energy policy and should not be combined with the RPP rules.**

As drafted by Staff, we oppose merging the REST and EEES rules with the RPP rules because they serve different purposes. When the Commission adopted the current REST rules in Decision 69127, the purpose was to drive the adoption of renewable energy in Arizona and to reduce the state's reliance on fossil fuels. In that Decision, the Commission made the specific finding of fact that:

Continued reliance on fossil fuel generation resources without the addition of renewable generation resources is inadequate and insufficient to promote and safeguard the security, convenience, health and safety of the Affected Utilities' customers and the public in Arizona, and is therefore unjust, unreasonable, unsafe, and improper.<sup>8</sup>

The REST rules provide the commitment of the state to renewables and set the energy policy. Increasing the amount of electricity provided from renewable resources is in the public interest "to reduce air pollution emissions and their associated external costs and to promote and safeguard the security, convenience, health and safety of Affected Utilities' customers and the public in Arizona."<sup>9</sup> The REST rules specifically direct utilities to improve their capabilities to modernize Arizona's electric system. To meet the requirements defined in the REST rules, utilities and the Commission necessarily focus on developing new capabilities.

When the Commission adopted the EEES rules in Decision 71819, it made specific findings of fact that "[e]nergy efficiency is a reliable energy resource that costs less than other resources for meeting the energy needs of utility ratepayers", "[i]ncreasing energy efficiency to meet the Energy Efficiency Standard set forth in the proposed EEE rules will reduce the total cost of energy for affected utilities' ratepayers", and that "[i]ncreasing energy efficiency will result in less air pollution, reduced carbon emissions, less consumption of water, and fewer other adverse environmental impacts than would occur if energy efficiency is not increased". The EEES rules provide Arizona's commitment to energy efficiency and set the policy.

The purpose of the RPP rules, on the other hand, is the exploration of energy options and combinations of resources, identification of risks and risk mitigation, and conducting forecasting and modeling. Integrated Resource Plans are essentially utilities' plans to meet the future electric service needs of their customers, resulting in schedules of supply-side and demand-side resources to provide the continued, reliable delivery of electricity to their customers. The RPP process does not set Commission policy, but instead serves as a yardstick to gauge the utilities' ability to meet their obligations to the customers they serve and compliance with the Commission's policies imposed by other rules, such as the REST and EEES. While the RPP rules could certainly be improved, those changes should be made in parallel with the revision of the REST and EEES rules.

The REST and EEES set Arizona's policy of prioritizing procurement of least-cost clean resources. If expanded as currently constituted, these policies prescribe amounts of clean energy and energy efficiency that need to be added to the electric system (as a percent of retail sales) and provide interim benchmarks

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<sup>8</sup> Decision No. 69127, p.55.

<sup>9</sup> *Id.*

to reach required amounts. Historically, the Commission has provided utilities with opportunities to request waivers from standards if they can show these resources are not least cost and least risk, will not meet system needs, and/or are not the best resources for Arizona. Thus, even with an increased requirement, the Commission can ensure the purchase of least-cost, clean resources, while still providing flexibility for utilities.

### **Conclusion**

The REST and EEES have encouraged utilities to add increasing amounts of renewable energy and energy efficiency to their systems, which have result in myriad benefits for customers and the electric system. The investments made by Arizona utilities on behalf of their ratepayers has contributed to cost reductions in wind and solar. As wind and solar are now the lowest cost resources available to electric utilities, increasing the REST will ensure Arizona utilities' customers have the opportunity to see the cost reductions – and environmental and public health benefits – seen by other utilities. Without a renewable energy requirement, the Commission cannot ensure that utilities will adopt renewable energy as quickly as possible. Likewise, without an energy efficiency requirement, utilities will not voluntarily commit to fund energy efficiency programs that help customers, but reduce the utility's bottom line.

Sincerely,

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